

10/11/88
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LIMITED SCOPE GRANT PROJECT AGREEMENT

Between the United States of America, acting through
the Agency for International Development (AID)

AND

The Government of Botswana
(Grantee)

1. Project Title:
Project Development & Support
Agricultural Sector Assessment

2. AID Project Number:
633-0250

The above-named parties hereby mutually agree to carry out the Project described in this Agreement in accordance with (1) the terms of this Agreement, including any annexes attached hereto, and (2) any general agreement between the two governments regarding economic or technical cooperation.

3. Amount of AID
Grant:
\$111,000

4. Estimated Grantee
Contribution to
the Project:
Est. \$50,000 equivalent

5. Project Assistance
Completion Date:
September 30, 1989

6. This Agreement consists of this title page, Basic Project Description, Illustrative Budget (Annex 1) and the Standard Provisions (Annex 2).

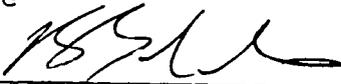
7. For the Grantee:

B. GAOLATHE

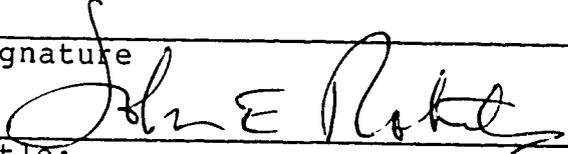
8. For the Agency for International
Development:

JOHN E. ROBERTS

Signature



Signature



Title:

Permanent Secretary,
Ministry of Finance and
Development Planning

Title:

Acting Director

Date:

July 29, 1988

Date:

July 29, 1988

Appropriation: 72-1180141
Budget Plan Code: GSSA-88-21633-KG63

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AGRICULTURAL SECTOR ASSESSMENT

I. Background

Despite notable successes with respect to economic growth, rural infrastructure and services, the Government of Botswana has not been able to eliminate three persistent development problems: (a) vulnerability of the economy to shifts in export demand, (b) insufficient employment generation, and (c) poor and erratic performance of the agricultural sector.

The vulnerability of the economy was made clear during the late 1970s when Botswana beef was temporarily banned from the EEC due to an outbreak of Foot and Mouth disease. Before the economy had fully recovered, the export demand for diamonds dropped. The net effect was rapid swings in the balance of payments between 1978 and 1983. As important, imports have accounted for 80-90 percent of national food requirements during recent years.

The employment problem largely has resulted from the pattern of diamond dependent development. Because there are few linkages from diamond mining to the rest of the economy, the expansion of formal sector employment has been much less than the rate of growth of value added, and has largely been offset by an increasing number of job seekers.

By the mid-1970s agriculture was no longer the largest economic sector but it has continued to play a vital role in national development. Over eighty percent of rural households and a large share of urban households are involved in agricultural production. A viable agricultural sector is necessary to reduce national dependence on food imports, save foreign exchange, create rural employment opportunities and raise rural incomes.

The Government of Botswana recognizes the importance of agriculture. Development of a strong commercial livestock sector was the top priority during the first four national plans. The commercial livestock sector remained a priority in the 1979-85 National Development Plan (NDP V) but, motivated by a concern with equity and employment opportunities, the Ministry of Agriculture greatly increased the emphasis given to crop production, limited resource farmers, and communal area livestock development.

Unfortunately, a severe multi-year drought started in 1981 and there has been only modest progress toward the goals envisioned for agricultural policy during NDP V and NDP VI. Between the 1977-78 and the 1982-83 seasons, the agricultural GDP fell by 33.6 percent, food grain production fell to 10,000 tonnes, and there was a 20-30 percent drop in the number of households planting crops. The depressed state of the agricultural economy has continued since.

To stimulate farm employment, maintain rural assets and ensure household food security, the government has set up several feeding and agricultural assistance programs which subsidize rural households. Based on recent trends in government expenditures and revenues, it does not appear that the various feeding and agricultural assistance programs are sustainable at their current levels. Consequently, the Ministry of Agriculture must develop a viable strategy for addressing the stagnation and erratic performance of the agricultural sector which is less dependent on resource transfers and subsidies.

When considering options, the Ministry of Agriculture recognizes that it probably is not feasible to rely on the smallholder communal area producers to obtain national food security. Therefore, there is a need to assess the role to be played by commercial food grain producers, particularly irrigated agriculture and the Pandamatenga scheme. There is also a need to evaluate the possibilities for expanded production in non-food grain sub-sectors such as dairy, poultry, horticulture and citrus. A key issue in respect to each option is the optimal pattern of imports versus import substitution.

A. Problem Statement

The Ministry of Agriculture requires a wide range of information in order to design and effectively implement policies and programs to improve the performance of the agricultural sector. While many studies have been done and extensive data generated which relate to future development alternatives, this information must be systematically assembled and analysed to provide a basis for effective planning and program implementation. It is essential that the potentials of every sub-sector and ecological zone be fully assessed and constraints on expansion identified, since the options for expanding production and employment in the agricultural sector appear to be limited. Moreover, it is necessary to examine all the social, economic, ecological and institutional factors likely to impact on the feasibility and extent of development.

B. Goals and Purpose

The agricultural sector assessment has two inter-related goals. The first is to provide the Government of Botswana a better information base for planning programs to ensure national and household food security, increase agricultural production and employment, and improve rural income distribution. The information base should not be limited to a narrow range of issues that are of immediate interest. Rather information should be included as may be necessary to answer a wide range of questions that could emerge as the planning and development proceeds.

The second goal is to provide specific recommendations to the Government on steps to ensure national and household food security, increase agricultural production and employment, and improve income distribution. To formulate recommendations, the assessment will appraise potentials of the several sub-sectors;

identify constraints to achieving the potentials, and ways of offsetting or minimizing effects of the constraints; and determine priorities based on an evaluation of relative benefits and costs.

The primary use of the assessment will be in developing National Development Plan VII, to be initiated in 1991. The assessment will also be used in annual program reviews and modifications of long term plans.

D. Outputs

During the course of the assessment, the Ministry of Agriculture, other agricultural specialists, and representatives from other ministries will assemble, review and analyse all available information relating to the six topics specified below. With respect to each topic, trends will be identified and explained, relevant organizational structures and activities characterized, potentials and constraints evaluated, and priorities for future action or programs determined.

The information assembled and diagnostic analyses carried out will be intermediate outputs. The final output of the assessment will consist of eight papers. Six position papers will present the information and analysis relating to the following topics. The seventh paper will give a synthesis covering major trends, constraints, opportunities for improvement and required Ministry programs. The eighth paper will outline a plan of action.

E. Inputs

Inputs will be of three types. First, the Ministry of Agriculture will form an Information Base (IB) team comprised of representatives from the Division of Planning and Statistics and the Department of Agricultural Research. The mandate of the IB team will be to systematically assemble the information required to complete the assessment. Second, seven Special Diagnostic Reports (SDR) will be prepared. These reports will be prepared by individuals from the Ministry, University of Botswana, or USAID/REDSO. Four of the SDRs will directly correspond to position papers specified above. Third, a group of agricultural specialists will be constituted as an Analysis and Planning (AP) team. The AP team will be responsible for preparing two of the position papers, the synthesis paper and the plan of action.

F. Special Provisions

- (1) No more than reasonable prices will be paid for any goods or services financed in whole or part under the Grant. Such items will be provided on a fair and, to the maximum extent practicable, on a competitive basis.
- (2) Goods or services financed under the Grant shall have their source, origin, and nationality in Botswana or any country included in USAID's Geographic Code 941, except as USAID may otherwise agree in writing and except as provided in paragraph 3 below.

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- (3) Imported Shelf Items. These items are goods that are normally imported and kept in stock, in the form in which imported, for sale to meet a general demand in Botswana for the item. They are not goods which have been specifically imported for use in an AID-financed project. Any imported component from a non-free world country makes the imported shelf item ineligible for AID financing. Shelf items are eligible for financing under this Grant if they have their origin in a free world country included in AID Geographic Code 935.

ILLUSTRATIVE BUDGET

	<u>USAID Contribution</u>	<u>GOB (\$ Equiv.) Contribution</u>
A. Project Development & Design.	\$ 20,000	4,000
B. Special Diagnostic Analysis	\$ 25,000	1,000
C. Preparation of Position Papers	\$ 5,000	5,000
D. Analysis and Planning Team	\$ 50,000	25,000
E. Contingency/Overheads	<u>\$ 11,000</u>	<u>15,000</u>
TOTALS	\$111,000	\$50,000

GRANT STANDARD PROVISIONS ANNEX

- A. Reference to 'this Agreement' means the original Project Agreement as modified by any revisions which have entered into effect. Reference to 'cooperating country' means the country or territory of the Grantee.
- B. A.I.D. will implement this project and make available the amount specified in Block 3, of this Agreement, as necessary for the Project, and as described in the Project Description.
- C. A.I.D. and the Grantee may obtain the assistance of other public and private agencies in carrying out their respective obligations under this Agreement. The two parties may agree to accept contributions of property, services, facilities and funds for purposes of this Agreement from other public and private agencies, and may agree upon the participation of any such third party in carrying out activities under this Agreement.
- C. Except as otherwise specified herein or subsequently agreed by the parties, all contributions of the parties pursuant to this Agreement shall be made on or before the Project Assistance Completion Date, or amended date. A contribution of goods or services shall be considered to have been made when the services have been performed and the goods furnished as contemplated in this Agreement. Disbursement of funds may take place after final contributions have been made, but A.I.D. shall not be required to disburse funds hereunder after the expiration of nine months following the estimated Project Assistance Completion Date (Block 5 of this Agreement) or any amended Project Assistance Completion Date specified.
- E. The procurement of commodities and services to be financed in whole or in part by A.I.D. may (where so required by A.I.D. procedures) be undertaken only pursuant to Project Implementation Orders (PIOs) and Invitational Travel Orders issued by A.I.D.
- F. Unless otherwise specified in the applicable PIO or Project Implementation Letter (PIL), the procurement of commodities imported specifically for the Project and financed with the A.I.D. contribution referred to in Block 3 of this Agreement shall be subject to the provisions of A.I.D. Regulation I.
- G. Unless otherwise agreed by the parties or otherwise specified in the applicable PIO, title to all property procured through financing by A.I.D. pursuant to Block 3 of this Agreement shall be in the Grantee, or such public or private agency as it may authorize.

H. (1) Any property furnished to either party through financing by the other party pursuant to this Agreement shall, unless otherwise agreed by the party which financed the procurement, be used effectively for the purposes of the Project in accordance with this Agreement, and upon completion of the Project, will be used so as to further the objectives sought in carrying out the Project. Either party shall offer to return to the other, or to reimburse the other for, any property which it obtains through financing by the other party pursuant to this Agreement which is not used in accordance with the preceding sentence.

(2) Any funds provided to either party pursuant to this Agreement which are not used in accordance with this Agreement, shall be refunded to the party providing the funds.

(3) Any interest or other earnings on funds provided by A.I.D. to the Grantee under this Agreement will be returned to A.I.D. by the Grantee.

I. (1) If A.I.D. and any public or private organization furnishing commodities through A.I.D., financing for operations hereunder in the cooperating country is; under the laws, regulations or administrative procedures of the cooperating country, liable for customs, duties and import taxes on commodities imported into the cooperating country for purposes of carrying out this Agreement, the Grantee will pay such duties and taxes unless exemption is otherwise provided by any applicable international agreement.

(2) If any personnel (other than citizens and residents of the cooperating country), whether United States Government employees, or employees of public or private organizations under contract with, or individuals under contract with A.I.D., the Grantee or any agency authorized by the Grantee who are present in the cooperating country to provide services which A.I.D. has agreed to furnish or finance under this Agreement are under the laws, regulations or administrative procedures of the cooperative country, liable for income and social security taxes with respect to income which they are obligated to pay income or social security taxes to the Government of the United States of America, for property taxes on personal property intended for their own use, or for the payment of any tariff or duty upon personal or household goods brought into the cooperating country for the personal use of themselves and members of their families (not including such personal or household goods as may be sold by any such personnel in the cooperating country) or if any firm, not normally resident in the cooperating country, is liable for income, receipts, or other taxes on work financed by A.I.D. hereunder, the grantee will pay such taxes, tariff, or duty unless exemption is otherwise provided by any applicable international agreement.

J. If funds provided by A.I.D. are introduced into the cooperating country by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds shall be convertible into currency of the cooperating country at the highest rate which, at the time the conversion is made, is not unlawful in the cooperating country.

K. A.I.D. shall expend funds and carry on operations pursuant to this Agreement only in accordance with the applicable laws and regulations of the United States Government

L. The two parties shall have the right at any time to observe operations carried out under this Agreement. Either party during the term of the Project and for three years after the completion of the project shall further have the right (1) to examine any property procured through financing by that party under this Agreement, wherever such property is located, and (2) to inspect and audit any records and accounts with respect to funds provided by, or any properties and contract services procured through financing by that party under this Agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this Agreement, shall assure that the rights of examination, inspection and audit described in the preceding sentence are reserved to the party which did the financing.

M. A.I.D. and the Grantee shall each furnish the other with such information as may be needed to determine the nature and scope of operations under this Agreement and to evaluate the effectiveness of such operations.

N. The present Agreement shall enter into force when signed. Either party may terminate this Agreement by giving the other party thirty (30) days written notice of intention to terminate it. Termination of this Agreement shall terminate any obligations of the two parties to make contributions pursuant to Blocks 3 and 4 of this Agreement, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of the Agreement. It is expressly understood that the obligations under paragraph II relating to the use of property or funds shall remain in force after such termination. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside the Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of the Grantee's country.

O. To assist in the implementation of the Project, A.I.D., from time to time, may issue PILs that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon PILs to confirm and record their mutual understanding on aspects of the implementation of this Agreement.

P. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.

A.I.D. 1330-17D (5-79)